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STATE FOR ISN/CB, VCI/CCB, L/ACV, IO/S
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JOINT STAFF FOR DD PMA-A FOR WTC
COMMERCE FOR BIS (GOLDMAN)
NSC FOR DICASAGRANDE
WINPAC FOR WALTER

E.O. 12958: N/A
TAGS: [PARM](#) [PREL](#) [CWC](#)
SUBJECT: CHEMICAL WEAPONS CONVENTION (CWC): WRAP-UP FOR
WEEK ENDING SEPTEMBER 8

This is CWC-79-06.

BUDGET CONSULTATIONS

11. (U) The first budget consultations after the summer break were held on September 5. The first intervention was made by the Malaysian delegate who provided delegations with the "NAM" position on the budget. This included: concerns about the low level of funding for ICA, concerns about the redistribution of industry inspections, a desire to reorganize the order of work so that the core objectives could be reopened and discussed before the budget is examined program by program, and the strong assertion that setting policy through the budget process would be unacceptable. Iran, Cuba (the soon to be Chair of the NAM), Algeria, Pakistan, Nigeria, India, Brazil, and Mexico subsequently made interventions to support the NAM view as enunciated by Malaysia. (Comment: This development is clearly troubling as it is the first time according to other dels present that a regional group has laid out a position in informal consultations on the budget. It also could prove to be problematic as it was clear that most of the NAM's points were essentially driven by Iran. End Comment)

12. (U) Japan asked why the why the rental subsidy in table 23 on page 71 had increased by 400%. The Technical Secretariat responded that there was a typographical error in

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table 23 and that the figures in the 2007 column for dependency allowance and rental subsidy had been transposed, as had the figures in the same column for medical care benefits and death and disability benefits.

13. (U) Iran suggested that all of the items in appendix 7 should be included in the regular budget and not be in a separate appendix. They also said they were very concerned about the distribution proposed for Article VI inspections and saw no need for the creation of two new P-2 positions in ICA to support Article VII implementation. Iran observed that if the amount budgeted for the two P-2 positions was removed, the ICA budget would be less in 2007 than it was in

¶2006. Iran objected to the reference to the "significant challenges" presented by the tenure policy in paragraph 4.79. The Iranians also asked for a list showing the nationalities of all temporary staff listed in table 22, in order to ensure that equitable geographic distribution was considered in the hiring of temporary staff. They also said they were opposed to the continued use of temporary staff in human resources and would asked for a list of all consultants engaged by the TS.

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¶4. (U) The Netherlands asked about the plan to devolve training in the TS and what future role the Training Division would play. The Dutch also asked if there were any provisions in the budget for the ten-year anniversary commemoration of the OPCW. Budget chief Rick Martin said that the goal in devolving training was to get individual managers more involved in training decisions and to save money. He noted that some divisions, such as the Inspectorate, had been designing their own training for some time. Ron Nelson, Director of Administration, added that the Training Committee, which is chaired by the Deputy Director General, would closely monitor the devolution process to ensure that it was effective. Martin said there was no money earmarked for the ten-year anniversary in the budget, but that there was a trust fund for voluntary contributions.

¶5. (U) Italy asked if the transition assistance for departing TS employees was new and if there would be any changes in the travel office. Martin said that some transition assistance was provided for out of the Human Resources budget but that this year the TS had decided to specifically earmark 30,000 euros in the budget for transition assistance. Nelson said that the TS was currently reviewing tenders to procure a new travel agent which would hopefully dramatically improve the quality of travel services provided. He also said that the TS had hired someone to revamp the TS internal travel monitoring and voucher system.

¶6. (U) Although the consultation was supposed to cover the Office of Confidentiality and Security, there was not enough time. The facilitator announced that the OCS budget would be examined at a later date.

¶7. (U) Budget consultations covering the Inspectorate and Verification division budgets were held on the morning of September 7. The primary focus of the consultation was the significant increase in the number of OCPF inspections planned in 2007. Horst Reeps, Director of the Verification Division, strongly defended the TS plan to significantly increase the number of OCPF inspections. He began the consultation by noting that 80% of the TS inspection activity was focused on CW inspections.

¶8. (U) The TS, according to Reeps, was asking for an additional 20 industry inspections for 2007 over 2006. He justified the decrease in the number of schedule 1 and 2 inspections by noting that on average schedule 1 facilities had been inspected six times and that the average for schedule 2 facilities was two inspections. Reeps said that with the 2007 budget proposal, schedule 1 facilities would be inspected every 1.8 years as opposed to every 1.2 years under the 2006 budget. He said that about half of schedule 3 facilities had not yet been inspected so the TS had not proposed reducing the number of schedule 3 inspections. In terms of OCPF inspections, Reeps highlighted the fact that of 5000 OCPF sites, only 400 will have been inspected by the end of 2006. He also pointed out that the declarations for OCPF facilities were not as detailed as the declaration forms for scheduled chemical facilities. For all of these reasons, the TS feels a need to increase the number of OCPF inspections in

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order to raise the confidence level of SPs.

¶9. (U) Del rep noted that there was no "discount factor"

built into the Article IV and V income projections for 2007, as there had been for previous years. Del rep asked if this was because the TS was more confident about the projections for Article IV and V inspection activity. Ichihiko Akiyama, Director of the Inspectorate, said that because there were no new CWDF facilities going online and the TS had finalized all of its optimization activities in the U.S., the TS was much more confident in its projections. Budget director Martin added that he too was confident with the income projections for Article IV and V activity.

¶10. (U) India referred to the NAM position and asserted that they still believed that the budget consultations were not the proper forum to address dramatically increasing the number of OCPF inspections, as this was essentially a policy and not a budget issue. The Germans countered that the CWC verification annex requires the TS to provide a breakdown of industry inspections and therefore the budget consultations were the appropriate forum to discuss the distribution of industry inspections. Japan supported Germany. The UK also supported Germany and added that the First Review Conference Report also called for increasing the number of OCPF inspections.

¶11. (U) Iran said that they too supported the NAM position and were opposed to discussing a "political issue" such as the distribution of industry inspections in the budget consultations. Iran said they would also like more information on the cost of sampling analysis. They also said they opposed 5000 inspector days being set aside for training, especially for training related to challenge inspections. Cuba and Brazil also supported the NAM position on OCPF inspections.

¶12. (U) Mexico also opposed discussing redistributing Article VI inspections in the budget context. They also suggested that given the problems that possessor states were having in meeting deadlines that perhaps some of the money budgeted for Article VI inspections could be better spent on Article IV and V inspections.

¶13. (U) South Africa said that they too associated themselves with the NAM position on the budget. South Africa said that it was clear that delegations were uneasy with the significant increase in OCPF inspections, but that perhaps a more detailed discussion of the issue would serve to put some delegations more at ease on the issue.

¶14. (U) China said that further discussion was needed on the OCPF issue and asked if any violations had been detected to date at any OCPF facilities. Reeps responded that no violations had occurred to date involving OCPF facilities.

¶15. (U) France, Australia, and Austria supported the increase in OCPF inspections. The Netherlands asked if there were additional costs associated with sampling analysis and if the size of inspection teams had to be increased. Akiyama said that inspection teams would have to be larger when sampling analysis was conducted but that other costs were only marginally higher.

¶16. (U) The afternoon budget consultation focused on the core objectives on the budget. Despite the fact that the NAM delegations had requested the consultation, no delegation proposed any changes to the core objectives or performance indicators. Iran said that they had instructions from capital that the key outcomes for 2007 found in column 3 on page 18-19 should be deleted. No other delegation supported this and most of the WEOG delegations present and Japan opposed deleting the outcomes. The DDG and the facilitator also supported the retention of the outcomes, but noted that after reviewing the entire budget delegations may want to consider revising or making changes to the outcomes. Iran again said they would like to have the outcomes column deleted from pages 18-19.

¶17. (U) Consultations to review a draft decision document (dated August 29, 2006) on creating a repayment mechanism to regularize payments of arrears were held on Sept 6. Approximately 30 delegations attended the meeting. The facilitators had hoped to get delegates to briefly review the decision text and then seek approval of the text at a subsequent meeting. But the meeting quickly devolved into a drafting exercise with no clear outcome. There is still a reasonable prospect that a decision text will be ready in time for the EC in November, but it will clearly take more than one or even two additional consultations to reach an agreement.

¶18. (U) Delegations were generally pleased with the preambular language in the draft text, though Iran did suggest moving all of PP 5 to replace all of OP 7. There was no clear consensus on this suggestion. Iran also said that the phrase "linked to other measures" found in OP 3 was too vague and suggested that a more explicit reference regaining voting rights should be made. Germany and Australia suggested that OP 3 could be deleted, as they did not want to highlight the word "voluntary." Iran pushed back and said that would like to keep the reference to "voluntary" because no SP could be forced into entering a repayment program with the TS, but that if the first word in OP 2 were changed from "Invite" to "Encourage," Iran could agree to delete OP 3.

¶19. (U) The UK suggested that repayment period in OP 4 be reduced from six years to four years and that the words "by the CSP" be added at the end of OP 4c (i). The UK had told us privately that they intended to push for the reduction in the allowable repayment period as a tactical move in order to have something to give away should Iran and others ask for more painful changes later in the negotiations. Iran asked that OP 4a be deleted claiming that it was too onerous for SPs to explain the reasons they had fallen into arrears.

¶20. (U) Del rep pushed back and said that SPs needed to know why an SP fell into arrears in order to justify to their capitals why repayment plans and the eventual return of voting rights should be approved. Del rep also supported the UK's tactical call for reducing the repayment period to four

years. South Africa, Pakistan, and Algeria supported the deletion of OP 4a and maintaining a six year window for repayment. Del rep indicated that the U.S. could be flexible on the payment period, but would have to have some explanation for the reasons an SP fell into arrears before being able to approve a repayment plan. The UK supported the U.S. There was no consensus, but a compromise is likely achievable at the next consultation.

¶21. (U) Iran called for the deletion of OP 6c and OP 7. Germany, the UK, and Australia said that they could accept the deletion of OP 6 c but would like to retain OP 7. Iran said that perhaps a compromise could be found on OP 7. The UK suggested that the word "approval" be deleted from OP 6 as it would prejudice the outcome of negotiations on any repayment plan. Italy supported the UK. China suggested that any references to the return of voting rights should be removed from OP 6 and put in a separate OP to avoid confusion. South Africa said they would like to see OP 6b deleted and OP 7 redrafted.

¶22. (U) On OP's 8 and 9, Germany suggested that rather than granting an exception to financial regulation 5.6 they would favor amending financial regulation 5.6. The facilitator noted that in previous consultations most delegations had opposed revising the financial regulations and preferred to grant one time exceptions to the regulation. Iran and South Africa suggested deleting OP 8 as it was redundant. Japan and the U.S. proposed retaining OP 8.

¶23. (U) The facilitators will likely review the suggestions made by delegations and attempt to craft some form of

compromise language before the next consultation, which has not yet been scheduled. Del believes that an eventual compromise will be found, as most NAM delegations do not want to be seen blocking an initiative that would benefit poorer countries. Del will endeavor to prevent the requirements of any repayment plan from becoming so watered down as to be unenforceable and at the same time ensure that Iran and others are not able to push through language that would force the U.S. to become the lone spoiler of a repayment plan.

CONFIDENTIALITY

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¶24. (U) Facilitator Betsy Sanders held a September 5 informal consultation on the topic of how to handle long-term storage of classified materials held by the TS. Luis Cavalheiro of the TS presented his update, "Non-paper on the Development and Implementation of Guidelines Regarding the long-Term Handling of Confidential Material." In response to delegations' questions during the spring 2006 consultation, Cavalheiro noted that the questions of document "ownership," status of electronic copies of official documents, or the legal status of electronic originals had been referred to the Office of the Legal Advisor (OLA). Noting that 73 percent of the TS holdings were related to Article VI inspections, the TS emphasized the importance of deciding what materials

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should be kept, and what should eventually be destroyed.

¶25. (U) Canada asked about the practices of other international organizations regarding retention/storage of classified materials, noting that these could guide us in our deliberations. OLA's Isaac Minta noted that the OPCW's Policy on Confidentiality (OPOC) laid out guidelines that should provide the basic criteria. Cavalheiro deferred, noting that the OPOC had not touched on the destruction of information. He also noted that the OPCW receives a mixture of commercial and governmental information, making the TS holdings unique.

¶26. (U) Canada also questioned whether delegations were clear on what we were trying to address. There are four considerations: a) space management, b) TS repository as historical record, c) format of repository - electronic (takes up little space) or paper; legal status of electronic records, and d) CWC implementation, especially verification, and what might be needed and over how long a period.

Pakistan agreed, and said that the most important task delegations faced was deciding what should be kept and for how long.

¶27. (U) Italy asked who owned the information: the submitting SP or the TS? Germany, supported by Romania and South Africa, added that the SP owns any information it submitted and must give its concurrence for destruction. Italy also noted that material such as initial declarations should be retained indefinitely. The Netherlands added that delegations rely on the TS as a repository of information, able to retrieve historical documents and decisions to inform delegates on the history of negotiations. Iran indicated that perhaps it could accept electronic copies as record copies.

¶28. (U) The facilitator attempted to lead a discussion of the types of Article VI information held by the TS with a view to whether it should be retained indefinitely, ten years, or five years. Because the TS table had been designed for another purpose, the discussion bogged down. The TS promised to provide a more specific table of types of information held in storage for the next (October) consultation.

¶29. (U) Javits sends.

